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IMF Announces Staff-Level Agreement with Kyrgyz Republic on Arrangement under the Exogenous Shocks Facility

An International Monetary Fund (IMF) mission visited Bishkek during October 22–31, 2008 for discussions with the Kyrgyz government and the National Bank of the Kyrgyz Republic. The mission and the authorities have reached an agreement in principle on an economic program that can be supported by an 18-month arrangement under the Exogenous Shocks Facility, providing financial support of at least US\$60 million. This agreement requires the approval of the IMF Executive Board, which is expected to consider it in early December.

The authorities' economic program aims to address the adverse consequences of the exogenous shocks that have hit the Kyrgyz economy, including the increase in international food and energy prices and the shortfall in domestic power generation due to low water levels in the Toktogul reservoir. The program also aims to manage the effects of the slowdown in regional economic growth and potential spillovers from the international financial crisis.

The program focuses on reducing inflation, supporting economic growth, and protecting the poor. Central to the authorities' efforts to reduce inflation has been a tightening of monetary policy, reflected in a sharp increase in interest rates this summer. In the period ahead, with inflation starting to decline and growth projected to slow, monetary policy will aim to bring down inflation further, but will also be responsive to the changing underlying economic conditions. Fiscal policy will similarly aim to balance the need to help reduce inflation with the need to support growth and provide targeted protection to the poor. While the focus of the program is on macroeconomic policies, the authorities will continue to advance their structural reform agenda to improve macroeconomic management and ensure strong growth over the longer term.

The IMF's [Exogenous Shocks Facility](#) was recently revamped to help low-income countries cope with emergencies caused by events beyond their control.